Crown Corporations Council

A Manitoba Crown Corporation

Annual Report 2003

104-06362/

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Letter of Transmittal

The Honourable Greg Selinger
Minister responsible for
Crown Corporations Council
Province of Manitoba
103 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

I am pleased to submit for your consideration the Annual Report of the Crown Corporations Council for the year ended December 31, 2003.

Yours truly,

Arthur V. Mauro
Chairman

May 26, 2004

Message from the Chief Executive Officer and Chairman

The large commercial Crowns under Council's purview deliver electricity, automobile insurance and natural gas service to the people of Manitoba. In addition gaming and alcoholic products are offered within a framework of responsible use.

Council's mandate is one of facilitation to assist Crowns to meet their obligations under the Act. It is an on-going process and co-dependent on actions of other organizations involved.

Council's annual report highlights its activities in supporting Crowns in achieving and maintaining a clear mandate and purpose, having effective criteria for measuring performance and following appropriate long term corporate and capital expenditure plans.

Council identifies opportunities for mandate and policy clarification, assesses performance measurement and reporting systems, reviews strategic plans and capital expenditure programs.

Council focuses on consistent practices in the areas of governance and risk management supported by a small team of five full time staff of which two are professional staff and two members are administrative support.

The Auditor General completed his review of Council in March 2004. The review assessed Council's performance in delivering its legislated mandate, relationship building and utilizing best practices in strategic planning and management. The Executive Summary will be included in Council's First Quarter 2004 report and the complete review is available from the Auditor General.

During the year Mr. Bidhu Jha resigned from Council in order to participate as a candidate in the Provincial election. He had been a member of Council since 2000. Council thanks him for his contribution to the work of Council.

In January 2003 Mr. Ric dela Cruz was appointed to Council for a three year term.

Highlights of Council's actions and reviews for the year follow. The financial statements indicate that expenses were down a modest amount from prior year.

Garry M. Hoffman
President and Chief Executive Officer

Arthur V. Mauro
Chairman

Crown Corporations Under Council Purview During 2003

$ Millions	Fiscal Year Ended 2003 Revenue	Net Income/ (Net Loss)
Manitoba Hydro	$1,900.0	$71.0
Manitoba Public Insurance	688.1	(22.6)
Manitoba Lotteries Corporation	619.3	265.5
Manitoba Liquor Control Commission	442.0	166.3
Venture Manitoba Tours Ltd.*	4.4	(0.6)
Manitoba Centennial Centre Corporation*	4.7	(0.2)
Communities Economic Development Fund*	2.0	(1.5)

*The Corporation is economically dependent on funding received from the Province of Manitoba.

Mandate

Section 6(1) of The Crown Corporations Public Review and Accountability Act defines Crown Corporations Council's duties. These are:

- Facilitate, in cooperation with each corporation, the development of a clearly defined mandate and a clear statement of purpose for the corporation.

- Facilitate, in cooperation with each corporation, the development of consistent and effective criteria for measuring the corporation's performance.

- Review long term corporate plans and capital expenditure proposals; ensure consistent practices among two or more corporations where appropriate.

- Provide any advice to the Lieutenant Governor in Council on those plans, proposals and practices or any other matter of policy affecting corporations that may be requested by the Lieutenant Governor in Council.

- Receive and hear submissions from any person who, in the opinion of the Council, has knowledge respecting any aspect of a corporation's activities regarding alleged failures by the corporation to comply with any Act or any policy of the Council.

Performance Accountability and Results

The following provides a summary of key actions completed in 2003 to meet our desired outcomes as outlined in Council Board policies:

Desired Outcomes	Actions Completed
Contribute to clear mandate and purpose of Crown corporations under Council's purview	Assessments completed for each Crown and any opportunities to improve were identified and communicated
Contribute to the development of consistent and effective criteria for measuring Crown's performance	Assessment and facilitation work undertaken for each Crown under Council purview
Review corporate plans and capital expenditures plans	Annual review completed for each Crown
Contribute to consistent practices among two or more Crowns where appropriate	Continued to identify opportunities through on-going work and communicated best practices among Crowns
Incorporate sustainable development principles and guidelines into all facets of its activities.	Developed code of practice, financial management guidelines and procurement guidelines.

Highlights of Actions in 2003

Mandate and Purpose

Facilitate, in cooperation with each corporation, the development of a clearly defined mandate and a clear statement of purpose for the corporation.

During the year, reviews were undertaken on all Crowns under Council's purview and the following opportunities for mandate and policy clarification were identified:

Manitoba Hydro (Hydro)

- Resolving and completing a new statutory mandate and related legislative changes which has been under development continues to be a challenge.

- Council will be consulted for commentary regarding Hydro's proposed statutory mandate at an appropriate time.

- Based on Council's review in 2003 Hydro's risk profile remained unchanged. However we note that a materially higher than forecast loss in fiscal 2003/04 combined with a continuation of low water conditions and/or inadequate rate increases would increase Hydro's risk profile.

Manitoba Public Insurance (MPI)

- Council believes budgeting for losses is not a sound business practice. We believe filing a 2004/05 General Rate Application for Basic Autopac premiums that results in a planned loss heightens the risk that unfavourable financial results may necessitate larger premium requirements from ratepayers in the future.

- The Basic Insurance Rate Stabilization Reserve (RSR) is well below the Board approved target range. Instead of seeking dedicated revenue increases, excess retained earnings from MPI's competitive business as well as any future surpluses from Basic will be used to rebuild the RSR.

Communities Economic Development Fund (CEDF)

- Council believes that Government should respond to the Development Fund's proposed business concept. A prudent response would be a clear articulation of Government's overarching economic development targets and priorities, measures to assess policy achievement and determination/allocation of necessary resources to advance the policy. Government has initiated action in this area and policy development continues to evolve.

Manitoba Centennial Centre Corporation (MCCC)

- The MCCC Board should focus resources to facilitate policy and performance based governance.

Venture Manitoba Tours Ltd. (Venture)

- Policy direction from the Province has evolved. A strategic course for the future of Hecla resort and golf course has been determined. The direction is seeking a long term plan that will improve viability for the resort and golf course through possible redevelopment opportunities. Council is satisfied that the Corporation and the Province have defined the primary expectations to guide short term operational activities.

Facilitate, in cooperation with each corporation, the development of consistent and effective criteria for measuring the corporation's performance.

Crown Corporation Performance Measurement and Reporting

In 2003, on-going assessment and reporting on the corporate performance of each Crown was undertaken. Both Manitoba Hydro and MPI have fully developed performance measurement and reporting systems in place.

Manitoba Lotteries Corporation (MLC)

MLC reports on selected performance information to the Board on a quarterly and annual basis. Matters relating to development of high level corporate performance indicators are not fully resolved. Work in this area is ongoing.

Manitoba Liquor Control Commission (MLCC)

MLCC reports quarterly to the Board on performance in relation to plans using its Business Plan and Related Measures Report. There is further opportunity to establish high-level measurable outcomes in relation to the Corporate Strategic Plan.

Communities Economic Development Fund (CEDF)

CEDF includes corporate performance reporting on goal achievement in its Annual Report. The Fund continues to improve outcome reporting to Government that demonstrates the economic and social benefits of its development assistance activities.

Manitoba Centennial Centre Corporation (MCCC)

MCCC's performance measurement and reporting requires further development. Board approved corporate goals and related measures are being developed as part of its first long term strategic plan. Internal data on performance in goal related areas will require additional effort.

Venture Manitoba Tours Ltd. (Venture)

Management regularly reports to the Board of Directors results of selected financial and operational oriented indicators. These indicators are those that management and the Board find of value and monitor regularly.

Crown Corporations Plans and Capital Expenditures

During 2003, reviews undertaken incorporated the Crowns' corporate strategic plans and capital expenditure programs. In the case of each Crown corporation, corporate strategies, goals and planning processes were appropriate to their respective mandates and business environments.

Review long term corporate plans and capital expenditure programs.

Total capital expenditures of $589 million were budgeted by the Crowns for fiscal 2003/04. Manitoba Hydro's capital budget comprises the most significant portion of the capital expenditures, $497 million.

- Based on our review of the capital program information provided by the Crowns, no major factors were identified at that time that reflected significant risk for each Crown.

- Overall, the F2004 capital expenditures reviewed were consistent with the Crowns' mandates, corporate plans and strategies and in most cases reflect replacement, maintenance of business, customer growth needs and safety, legal and environmental related expenditures.

Consistent Practices

Ensure consistent practices among two or more corporations where appropriate.

Council focuses on consistent practices in the primary areas of governance, planning, and risk management and mitigation. Planning practices were noted as part of corporate plan reviews.

During 2003, our reviews found that overall the Crowns have appropriate governance and risk management processes and practices in place that are based on best practices. Opportunities for improvement were identified and communicated.

Manitoba Hydro (Hydro)

Since our last review a corporate risk management framework has been developed. Corporate level risks have been documented and preliminarily ranked according to likelihood of occurring and their consequences. As well mitigating actions have been outlined. Council notes that risks related to the corporate subsidiaries were not included in the report on major risks. There may be value in Hydro's enterprise risk manager assisting with creating corporate risk profiles for subsidiaries.

Manitoba Centennial Centre Corporation (MCCC)

Council identified the need to have a formal business continuity plan that can be referred to in the event of severe business disruption. It was suggested the MCCC Board initiate development of a formal business continuity plan to assist in informed decision making about acceptable levels of risk and acceptable business resumption timeframes.

Special Reviews

Provide advice to Lieutenant Governor in Council that may be requested.

No special reviews were undertaken in 2003.

Submissions to Council

Receive and hear submissions regarding alleged failures to comply with any Act or any policy of the Council.

There were no submissions made during 2003 to Council concerning allegations or complaints against any Crown corporation under Council's purview.

Council Outcome Measurement

Council undertakes performance measurement and reporting of its outcomes within the limits of its staffing capacity and financial resources. Performance measurement and reporting on Council's desired outcomes will continue to evolve within the parameters of efficiency and resource constraints. Council operates with a small team of five full time staff, of which two members are professional staff and two members are administrative support.

Our mandate is one of facilitation, which we define as actions that would assist Crowns or make it easier for them to meet their obligations under the Act. It is an on-going process and co-dependent on actions of other organizations involved. Measuring our desired outcomes in a meaningful way lends itself to a more qualitative approach.

Operating Expenditures

Our costs of operation in 2003 continued to be relatively stable.

Expenses:	2003	$632
	2002	$651
	2001	$866*
	2000	$623
	1999	$677

* included $200 thousand in consultant fees to conduct special reviews.

Professional Development and Training

All staff have access to professional development and training opportunities throughout the year.

During 2003 professional development focused on various topics.

Client Satisfaction

Council defines its primary client as the Minister responsible for the Council and representative Ministers responsible for the Crowns under Council's purview. Satisfaction with achieving our mandate is reflected in feedback we receive on the results of our reviews and advice provided.

Sustainable Development

The public sector, through its operations, has an integral role in promoting and implementing sustainable development in society. In support of this goal, Council is committed to promoting and incorporating the Principles and Guidelines of Sustainable Development into all facets of its activities. Council has adopted sustainable development procurement guidelines based on the Province's template.

Highlights of Reviews Undertaken in 2003

Manitoba Hydro (Hydro)

Hydro has completed a period of outstanding achievements. It has successfully completed two major acquisitions, adapted to complex changes stemming from electric industry restructuring, capitalized on market opportunities to grow its export business, while achieving record financial results. Major opportunities are now being pursued within a policy framework of advancement of new generating capacity and increased expectations of environmental responsibilities.

The Corporate strategic plan, Hydro's adaptive approach and its demonstrated capability will contribute to continued progress in achieving its mandate and public policy objectives. As the Corporation moves forward it faces a number of challenges. The top four in the near term are:

- The current low water conditions will have negative implications on net income and delay achievement of Hydro's financial targets. Retained earnings of $1.2 billion will assist the Corporation to absorb losses caused by business risks such as drought.

- Hydro is currently in the process of obtaining the necessary environmental licences for Wuskwatim Generation and Transmission Projects. The Clean Environment Commission (CEC) review and hearings on the environmental impacts and need for and alternatives to the Wuskwatim generating station and transmission are extensive in scope and process. Hydro expects to identify opportunities from its experience with the first process that may assist in improvements for potential future project reviews.

- There are several potential generation projects under consideration for development. Managing such sizeable

development over the next ten years will be a challenge given continued industry restructuring, the lack of recent development experience combined with an aging workforce.

- Resolving and completing a new statutory mandate and related legislative changes which have been under development for the last few years remain a challenge. A need to modernize Hydro's legislated financial, administrative and regulatory framework stems from issues due to the Centra Gas acquisition and implications of U.S. industry changes respecting Hydro's power export business.

Based on our current review Hydro's risk profile remains unchanged. However, a materially higher than forecast loss in fiscal 2003/04 combined with a continuation in fiscal 2004/05 of low water conditions and/or inadequate rate increases would increase Hydro's risk profile.

Manitoba Public Insurance (MPI)

MPI concluded fiscal 2002/03 with unfavourable financial results, reflecting a second consecutive year of losses in Basic Autopac that could not be offset by improved overall results from competitive Extension Insurance and Special Risk Extension.

During the year MPI's Board and management continued to adopt or pursue best governance and business practices. The Board updated its Governance Manual, corporate policies and risk management practices. Management enhanced corporate planning processes to improve planning input and enhance individual and Divisional Directional Plan alignment with the Corporate Strategic Plan.

MPI's planning processes and assumptions are appropriate to the Corporation's business environment. MPI continues to focus its efforts on ensuring that intended outcomes are achieved and that operations effectively safeguard public assets.

MPI has appropriate strategies and processes to identify and mitigate risk in its compulsory Basic Autopac and competitive lines of business. MPI's Board and management are implementing these strategies effectively and are in the process of enhancing corporate risk management practices.

MPI's risk mitigation practices contribute significantly to overall corporate performance. Improved corporate-wide understanding of risk management and mitigation can contribute to improved corporate performance.

Our business condition assessment of MPI's operations remains favourable, but with heightened risk in the short term.

Manitoba Lotteries Corporation (MLC)

MLC successfully concluded fiscal 2003, delivering strong financial performance that exceeded corporate and Government expectations. MLC continued intense building of best practice organizational capacity, capability and infrastructure to position for future opportunity and success.

During the year MLC continued improvements and planned for the completion of its best practice governance framework to direct the affairs of the Corporation.

MLC is in the process of acquiring replacement equipment for its Video Lottery Terminal network that incorporate responsible gaming features.

MLC continues to improve strategic, business and budget planning and control processes. MLC's planning processes and assumptions are appropriate to the Corporation's business environment. MLC continues efforts to ensure intended outcomes are achieved and operations effectively safeguard public assets.

MLC uses a formal risk management model and has appropriate strategies and processes to identify and mitigate risk in its business operations. MLC engaged external assistance to provide assurance the risk management model is appropriate and is acting on opportunities to improve corporate wide implementation and integration into operations. Board and management understand and implement risk mitigation strategies effectively.

MLC's risk mitigation practices contribute significantly to overall corporate performance. Improved corporate-wide understanding of risk management and mitigation can contribute to improved corporate performance.

While our business condition assessment of MLC's operations remains favourable, MLC's business risks are increasing.

Manitoba Liquor Control Commission (MLCC)

MLCC celebrated its 80th anniversary of operation on August 23, 2003. MLCC successfully concluded fiscal 2003 and is well positioned to deliver strong financial performance and advance realization of corporate strategic goals for a successful fiscal 2004.

MLCC's Board governance activities focused on a broad range of policy matters (e.g., Contingency Planning, Sustainable Development, assistance to microbreweries and Code of Conduct) and improved performance measurement, monitoring and reporting.

MLCC continues to focus on implementing LINK (Linking Ideas and Networking Knowledge) projects and workplace quality initiatives that respond to matters identified in MLCC's 2001 Workplace Quality Survey. These initiatives contribute to MLCC improvement, innovation and effectiveness.

MLCC's planning processes and assumptions are appropriate to its business and policy environment. MLCC is focusing efforts on ensuring that intended outcomes are achieved and that operations effectively safeguard public assets.

MLCC recently updated its risk assessment evaluation of business processes and has appropriate strategies and processes to identify and mitigate risk in its operations. Board and management understand and implement risk mitigation strategies effectively.

MLCC's risk mitigation practices contribute significantly to overall corporate performance. Improved corporate-wide understanding of risk management and mitigation can contribute to improved corporate performance.

Organizationally and operationally, MLCC is mature and stable. Our business condition assessment of MLCC remains favourable.

Manitoba Centennial Centre Corporation (MCCC)

MCCC successfully concluded fiscal year 2002/03, showing strong financial performance and organizational accomplishment in relation to plan.

The Board and the Minister responsible supported a review of the Centennial Centre Corporation Act, MCCC's legislation. A Discussion Paper on the Act was targeted for July 2003.

During the year MCCC faced financial challenges arising from indebtedness of the Winnipeg Symphony Orchestra. The implications were brought to the Board and Government's attention in a timely and forthright manner. MCCC's Board and management took prudent actions to mitigate financial impact.

MCCC's planning processes are inclusive and consultative.

Absent a Board approved corporate risk policy, MCCC takes ongoing risk mitigating actions. MCCC carries comprehensive insurance coverage for administered properties and contents valued at approximately $104.5 million. MCCC's capital investments mitigate deterioration of facilities while maintaining premier performance and exhibition conditions.

Our business condition assessment of MCCC's operations is favourable.

Communities Economic Development Fund (CEDF)

The Development Fund successfully concluded fiscal 2001/02 and is well positioned for a successful conclusion to fiscal 2002/03. Overall, the Development Fund's financial performance complements progress in advancing attainment of non-financial strategic goals.

The Development Fund's planning processes are inclusive and consultative, resulting in planning assumptions appropriate to the Fund's business environment.

The higher risk inherent in the Development Fund's lending portfolios reflects the nature of its mandate. The Fund has appropriate strategies to identify and mitigate credit and concentration risks in its lending portfolios. The Board and management are employing these strategies effectively.

Our business condition assessment of the Development Fund's operations remains favourable.

Venture Manitoba Tours Ltd. (Venture)

Pending policy direction from the Province has evolved. A strategic course for the future of Hecla resort and golf course has been determined. The direction is to seek a long-term plan

that will improve viability for the resort and golf course through possible redevelopment opportunities.

The risk profile of the Corporation has not changed since our previous review. Venture's long term challenges remain with its financial position continuing to weaken. The Province's decision to pursue redevelopment partnerships for the Resort is a positive action to address long term risk and viability of Hecla.

Council will continue its role and monitoring as long as Venture remains under the Crown Corporations Public Review and Accountability Act.

Members of the Council

The governing body of Council consists of eight members appointed by the Lieutenant Governor in Council. Members are chosen to serve based on statutory provisions outlined in The Crown Corporations Public Review and Accountability Act.

One member is the Dean of The Asper School of Business at the University of Manitoba or designate from that Faculty. One member is nominated by the Institute of Chartered Accountants of Manitoba. One member is a person who, in the opinion of the Lieutenant Governor in Council, represents organizations of consumers in Manitoba.

At least three members are persons who, in the opinion of the Lieutenant Governor in Council, have demonstrated management or technical expertise.

During the year, members of the Council met with senior officials of each Crown under Council's purview to review corporate mandates and strategic plans.

Members of the Council

Arthur V. Mauro, O.C., Q.C.	Chairman since 1997
Janice Y. Lederman Partner, Thompson Dorfman Sweatman	Vice-Chair since 2001
Dr. Jerry L. Gray Dean, Asper School of Business University of Manitoba	Member since 1997 Member - Audit Committee
Kent J. Haugen Partner, Business Consulting & Taxation Haugen Morrish, Chartered Accountants	Member since March 2002 Member - Audit Committee
Ric dela Cruz	Member since 2003
Judy A. Murphy, CA Executive Director Royal Winnipeg Ballet	Member since 2000 Chair - Audit Committee
Raymond Poirier, O.C. President b-bel INC	Member since January 2002
Garry M. Hoffman President and Chief Executive Officer	Ex-Officio Member
Bidhu S. Jha	Member 1999 to 2003

CROWN CORPORATIONS COUNCIL
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Winnipeg, Manitoba
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www.crowncc.mb.ca

Financial Statements

Responsibility for Financial Statements

The management of the Crown Corporations Council is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors. The statements have been examined by Ernst & Young, LLP, independent external auditors, whose opinion is included herein.

The preparation of the financial information contained in the annual report necessarily involved the use of certain estimates and judgments which have been reached based on careful assessment of data available through the Council's information systems.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Council. Management maintains an appropriate system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements.

The Audit Committee of the Board of Directors meets periodically with officers of the Council and the Council's auditors. The auditors have free access to this Committee, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

Auditors' Report

To the Members of
Crown Corporations Council

We have audited the balance sheet of **Crown Corporations Council** as at December 31, 2003 and the statement of income and reserve reflecting net investment in capital assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
February 25, 2004

Chartered Accountants

BALANCE SHEET

	December 31 2003	2002
ASSETS	(thousands of dollars)	
Current:		
Cash	$ 465	$ 346
Accounts receivable	7	7
	472	353
Capital assets (note 4)	5	7
	$ 477	$ 360
LIABILITIES AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 56	$ 60
Levies received in advance	146	190
Due to Manitoba Crown corporations (note 3)	195	50
	397	300
Retirement allowances and other benefits payable (notes 2(d) and 5)	75	53
	472	353
Reserve reflecting net investment in capital assets	5	7
	$ 477	$ 360

Approved by the Board

Chairman

Director

(see accompanying notes)

STATEMENT OF INCOME AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS

	Year Ended December 31	
	2003	2002
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	$ 623	$ 645
Interest	7	4
	630	649
Expenses		
Salaries and benefits	447	462
Board remuneration and expenses	79	78
Rent	67	65
Office supplies and printing	10	9
Automobile expense	8	7
Telephone and courier	5	4
Professional fees	4	10
Professional development	4	7
Equipment rental and maintenance	3	4
Depreciation	2	2
Travel	2	2
Insurance and miscellaneous	1	1
	632	651
Excess of expenses over income	$ (2)	$ (2)
Reserve reflecting net investment in capital assets, beginning of year	7	9
Reserve reflecting net investment in capital assets, end of year	$ 5	$ 7

(see accompanying notes)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. **Nature of organization**

The Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 under the Crown Corporations Public Review and Accountability Act.

The mandate of the Council is to facilitate clear mandates, development of performance measures and consistent practices and to review corporate plans of Crown corporations under its purview.

2. **Significant accounting policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those principles considered particularly significant for the Council.

a) Recoveries of expenses from Crown corporations

Operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

b) Reserve reflecting the net investment in capital assets

The purchase of capital assets is funded through operating expense levies assessed to Crown corporations. The reserve reflects levies assessed to the Crown corporations with respect to the Council's capital assets.

c) Capital assets

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

d) Retirement allowances

Retirement allowances are provided to certain qualifying employees. The costs of benefits earned by employees are charged to expenses as services are rendered. The cost reflects management's best estimates of the length of service, salary increases and ages at which employees will retire. In addition, adjustments arising from plan amendment, changes in assumptions, experience gains and losses, and the actuarial present value of the accrued entitlement as at January 1, 2000 are being amortized to expenses on a straight line basis over the expected average remaining service life of the employee group. The unamortized balance of the January 1, 2000 actuarial present value of the accrued entitlement is $29,000 at December 31, 2003 (2002 - $32,600).

3. **Due to Manitoba Crown corporations**

These amounts represent a retroactive adjustment to levies based on Council's actual expenses.

4. **Capital assets**

These are comprised entirely of office furniture and equipment and computer equipment.

	December 31	
	2003	2002
	(in thousands of dollars)	
Cost		
Office furniture and equipment	$58	$58
Computer equipment	56	56
	$114	$114
Accumulated depreciation		
Office furniture and equipment	54	52
Computer equipment	55	55
	109	107
Net book value	$ 5	$ 7

5. **Pension costs and obligations**

Employees of the Council are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Council is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund. In addition, one employee is entitled to enhanced pension benefits. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost reflects management's best estimate of salary increases and the age at which the employee will retire.

6. **Lease commitments**

The Council is committed under a premises lease expiring on April 30, 2005 to annual basic rental payments of approximately $32,400 and annual common area and operating costs of approximately $30,800.

7. **Statement of cash flows**

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

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